

**For Discussion Purposes Only**

**DRAFT Options for Subcommittee Consideration  
September 19, 2011 – reflecting concepts discussed September 14, 2011**

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**The following list is intended to generate discussion of the issues involved with Art. IV.9. No inference of endorsement should be made.**

**A. Re-commit to the current factor weighting**

Art.IV.9 All business income shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three.

**B. Double weight the sales factor**

Art.IV.9 All business income shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus two times the sales factor, and the denominator of which is four.

**C. Single sales factor**

Art.IV.9 All business income shall be apportioned to this State by multiplying the income by the sales factor.

**D. State Option**

The model could list optional weightings to acknowledge states' differing tax policies regarding appropriate factor weighting. For example:

Art.IV.9 All business income shall be apportioned to this State by multiplying the income by

a fraction, the numerator of which is [X times] the property factor plus [y times] the payroll factor plus [z times] the sales factor [where x, y, and z equal some multiple of a factor if the factor is to be given multiple weighting other than 1] , and the denominator of which is [insert a number equal to the sum of the multiples of factors in the state's numerator].

OR

the [insert "property," " payroll" or" sales"] factor.

**E. Taxpayer Election [brackets show alternative/optional language]**

The model could include an election for taxpayers to choose a weighting which will allow them to file uniformly in all (or some minimum percentage) of states in which they are doing business. For example:

Art.IV.9:

- (a) All business income shall be apportioned to this State by multiplying the income by a fraction the numerator of which is the property factor plus the payroll factor plus two times the sales factor, and the denominator of which is four [**OR** whatever the general rule should be]
- (b) A taxpayer otherwise required to apportion pursuant to Art.IV.9(a) may, as an alternative, make an election [binding for X years] to apportion all [business] income to this state by

**CHOOSE election formula**

a fraction, the numerator of which is a multiple of the property factor plus a multiple of the payroll factor plus a multiple of the sales factor, and the denominator of which is the sum of the factor multiples; provided that no factor shall have a multiple less than 1 or greater than 8, and further provided:

**OR**

either (1) a fraction the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three; or (2) the sales factor; provided:

**CHOOSE one or more election prerequisites**

- (i) the election is made on an originally filed return by the taxpayer [and all related affiliates],
- (ii) the taxpayer [and all related affiliates] apportions all [business] income using an identical apportionment fraction computation in each state in which the taxpayer [or any related affiliate] is taxable as defined in Art.IV.3(1) [and such an apportionment fraction computation is allowed, and
- (iii) either (1) an identical election is allowed in at least 35 states, or (2) an identical apportionment fraction computation is allowed in at least 90% of the states in which the taxpayer [and related affiliates] is taxable as defined in Art.IV3(1).]

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